

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Alquist & Wyland Analyst: Kristina North Bill Number: AB 902

Related Bills: See Prior Analysis Telephone: 845-6978 Amended Date: April 16, 2001

Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Employer Public School Math Or Science Teachers Credit

- ☒ DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced February 23, 2001.
- ☒ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.
- ☒ AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced February 23, 2001.
- ☒ FURTHER AMENDMENTS NECESSARY.
- _____ DEPARTMENT POSITION CHANGED TO _____.
- ☒ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED February 23, 2001, STILL APPLIES.
- _____ OTHER - See comments below.

SUMMARY

This bill would create a credit for employers for lending an employee to a public school to teach math or science.

SUMMARY OF AMENDMENT

The April 16, 2001, amendments would:

- Clarify the definition of "qualified employee" to specify employment specialties that include engineering, accounting, financial analysis, medicine, and computer technology.
- Clarify the definition of "qualified teaching time" to include both the actual hours the qualified employee spends teaching mathematics or science for a full school term and an hour of preparation for each day that the mathematics or science class is taught.
- Include community colleges in the definition of "public school."
- Clarify the definitions of "mathematics" and "science" to give specific detailed examples.
- Outline a school district pre-service training program that qualified employees should complete prior to beginning classroom instruction.

Board Position:

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Legislative Director

Date

Brian Putler

04/24/01

- Remove the credit for employers that allow a public school teacher to attend an employer-sponsored education class.

The April 16, 2001, amendments would resolve the two implementation concerns regarding the loaned teachers' credit by clarifying the definitions of "employment specialty" and "mathematics." The removal of the open enrollment credit resolved the remaining implementation concerns and would change the revenue estimate. The policy concern regarding a sunset date for the loaned teachers' credit identified in the department's analysis of the bill as introduced February 23, 2001, still applies and is restated below. A new revenue estimate and an additional policy concern also are provided below.

POSITION

Pending.

ECONOMIC IMPACT

Tax Revenue Estimate

Based on data and assumptions discussed below, revenue losses from this bill are projected to be as follows:

Estimated Revenue Impact of AB 902 As Amended April 16, 2001 Years After 12/31/00 To Sunset Dates Enactment Assumed After 6/30/01			
Fiscal Years	2001/2002	2002/2003	2003/2004
Revenue Impact	-\$2.2	-\$2.2	-\$2.3

Any possible changes in employment, personal income, or gross state product that might result from this measure are not taken into account.

Revenue Estimate Discussion

Revenue losses would depend on the number of qualified employees loaned to California public middle and high schools and community colleges for teaching targeted classes, the amount of total qualified wages paid or incurred by employers, and the respective income tax liabilities of the employers. This estimate was based on available information pertaining to math and science teachers in qualified schools.

- According to the California Department of Education, the number of math and science teachers in California public schools K-12 was nearly 26,800 in full time equivalents (FTE) during the school year 1997/1998 (over 10% of total teachers). It was assumed that over 4,900 math and science teachers would be hired for California public schools in year 2000/2001. Of those 4,900, it was assumed that 4,600 would teach in grades 7 to 12.

- The California Department of Education estimated that around 500 FTE teachers would be hired during 2000/2001 for other (unspecified) classes, from which nearly 230 teachers (45%) were assumed to teach computer science in grades 7-12.
- Based on an estimate from the Community Colleges Chancellor's Office, there is a demand for an additional 10% of math and science teachers (over 400 FTE teachers). The same number was assumed for hiring computer science teachers.
- It was assumed that loaned employees under these conditions would constitute 1% of specified public schools certified hires for math and science classes and 5% for classes in the computer sciences. It was also assumed that employees teaching classes for whom employers do not forfeit work time on the job (e.g., evening classes) do not qualify employers for this credit.
- Total qualified employer expenses for these employees are projected to be nearly \$4 million based on a yearly salary of \$50,000 paid on average to loaned employees for their teaching activities.
- At a 50% tax credit (with the deduction offset considered), revenue losses would be on the order of \$2 million annually.

POLICY CONCERNS

This bill would create an unintended disparity relating to preparation time. For example, if an employee teaches a class one day per week for two hours, that employee could claim a credit for the actual teaching time, plus one hour for preparation time. However, if an employee teaches the same course two times per week, the employee could claim a credit for the actual teaching time, plus one hour for each day the class is taught for preparation time.

This bill does not contain a sunset date for this credit. Sunset dates generally are provided to allow periodic review by the Legislature.

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